Canada's Nuclear Regulator

Canadian Nuclear Safety Commission Quarterly Financial Report For the Quarter Ended June 30, 2015

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Canada

Canadian Nuclear Safety Commission Quarterly Financial Report
For the Quarter Ended June 30, 2015

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Canadian Nuclear Safety Commission
Statement Outlining Results, Risks and Significant Changes in Operations, Personnel and Program

1. Introduction

This quarterly financial report has been prepared by management, as required by section 65.1 of the *Financial Administration Act,* and in the form and manner prescribed by the Treasury Board Secretariat. The report should be read in conjunction with the *Main Estimates* and *Supplementary Estimates*. The quarterly financial report has not been subject to an external audit or review.

1.1 Authority, mandate and program activities

The Canadian Nuclear Safety Commission (CNSC) was established on May 31, 2000, with the coming into effect of the *Nuclear Safety and Control Act* (NSCA). The CNSC is a departmental corporation and reports to Parliament through the Minister of Natural Resources.

As an independent regulatory agency and quasi-judicial administrative tribunal, the CNSC has jurisdiction over all nuclear-related activities and substances in Canada. Its mandate under the NSCA is to :

- regulate the development, production and use of nuclear energy in Canada to protect health, safety and the environment
- regulate the production, possession, use and transport of nuclear substances, and the production, possession and use of prescribed equipment and prescribed information
- implement measures respecting international control of the development, production, transport and use of nuclear energy and substances, including measures respecting the non-proliferation of nuclear weapons and nuclear explosive devices
- disseminate objective scientific, technical and regulatory information concerning the CNSC's activities, and about how the development, production, possession, transport and use of nuclear substances affect the environment and the health and safety of persons

Following a year-long strategic review, the CNSC adopted a new program alignment architecture, which it implemented in 2015–16. The new architecture more clearly reflects the fundamental aspects of the CNSC's regulatory work.

To deliver on its mandate, the CNSC has six programs:

- Nuclear Fuel Cycle Program
- Nuclear Reactors Program
- Nuclear Substances and Prescribed Equipment Program
- Nuclear Non-Proliferation Program
- Scientific, Technical, Regulatory and Public Information Program
- Internal Services

Further details on the CNSC's authority, mandate and program activities can be found in the *Report on Plans and Priorities* and the *Main Estimates (Part II).*

1.2 Basis of presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying *Statement of Authorities* includes the CNSC's spending authorities granted by Parliament and those used by the CNSC, consistent with the *Main Estimates* and *Supplementary Estimates* for the 2014–15 and 2015–16 fiscal years. This quarterly report has been prepared using a special purpose financial reporting framework, designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before moneys can be spent by the Government of Canada. Approvals are given in the form of annually approved limits, through appropriation acts or through legislation (in the form of statutory spending authority for specific purposes).

When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government to withdraw funds from the Consolidated Revenue Fund. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.

The CNSC uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

1.3 The CNSC's financial structure

The CNSC has a structure where various funding mechanisms are used to deliver its mandate. Most of the CNSC's funding is received from statutory budgetary authorities, with the remainder from voted budgetary authorities.

In Budget 2013, the CNSC received statutory authority – pursuant to subsection 21(3) of the NSCA – to spend during a fiscal year any revenues that it receives in the current or previous fiscal year through the conduct of its operations. The revenues received from regulatory fees for licences and applications are charged in accordance with the *Canadian Nuclear Safety Commission Cost Recovery Fees Regulations* (CRFR). This authority to spend revenues provides a sustainable and timely funding regime to address the rapid changes in the regulatory oversight workload associated with the Canadian nuclear industry.

In addition to the statutory authority, the CNSC is also funded through the voted budgetary authority from Parliament (Vote 1 – Program expenditures). Voted authority provides funding for activities exempt from paying fees under the CRFR (i.e., hospitals and universities), as these entities exist for the public good. Additionally, fees are not charged for activities that result from CNSC obligations that do not provide a direct benefit to identifiable licensees. These include activities with respect to Canada's international obligations (including non-proliferation activities), public responsibilities (such as emergency management and public information programs), and the updating of the NSCA and its associated regulations.

Contributions to the employee benefit plans are statutory budgetary authorities.

2. Highlights of Fiscal Quarter and Fiscal Year-to-Date Results

This section highlights the significant items that contributed to the net increase or decrease in authorities for the year, and actual expenditures for the quarter and year-to-date ended June 30, 2015.

2.1 Authorities analysis

As reflected in the following authorities table, the CNSC's total authorities available to spend have increased by $6.8 million (to $132.9 million), or 5.4%, as of the end of the first quarter of 2015–16, compared to the same quarter of the previous year.

Authorities *(in thousands of dollars)*	2015–16	2014–15*	Variance
Vote 1 – Program expenditures	**38,921**	**36,578**	**2,343**
Contributions to employee benefit plans	**4,502**	**4,167**	**335**
Spending of proceeds from the disposal of surplus Crown assets*	**30**	**20**	**10**
Expenditures pursuant to paragraph 21(3) of the *Nuclear Safety and Control Act*	**89,452**	**85,376**	**4,076**
Total budgetary expenditures	**132,905**	**126,141**	**6,764**

* 2014–15 Authorities have been updated to reflect an amount of $20K for the spending of proceeds from the disposal of surplus Crown assets.

Vote 1 – Program expenditures and contributions to employee benefit plans (EBP)

The total authorities increased by $2.7 million (to $43.4 million), or 6.6%. The increase is mainly due to the:

- $1.6 million increase due to collective agreement funding
- $0.7 million increase in funding, as a result of a reduction in the annual loan repayment to the Treasury Board Secretariat's Management Reserve, for improvements made to the CNSC's systems infrastructure
- $0.3 million increase in contributions to EBP
- $0.1 million increase due to an adjustment to funding for a Shared Services Canada initiative related to the transfer of workplace technology devices

Budgetary statutory authority – Expenditures pursuant to subsection 21(3) of the NSCA

The CNSC's statutory authority for expenditures pursuant to subsection 21(3) of the NSCA is based on the CNSC's forecast of yearly expenditures for activities subject to cost recovery fees. The total authorities have increased by $4.1 million (to $89.5 million), or 4.8%, as a result of an overall increase in projected expenses due to salary increases and the New Graduate Program, a workforce strategy to address the potential impact of attrition through workforce renewal. It is also attributable to an increase in revenues

earned from special projects and from formula fees, as a result of a phased-in review of formulas used within the CNSC's *Cost Recovery Fees Regulation*, to align costs with regulatory activities for the various licence types.

2.2 Expenditure analysis

Statement of Authorities (see appendix)

Vote 1 – Program expenditures

The authorities used during the first quarter of 2015–16 have decreased by $2.8 million (to $7.6 million), or 27.2%. This is mainly due to the decrease in other subsidies and payments from a one-time transition payment by the Government of Canada in the first quarter of 2014–15 for implementing salary payment in arrears.

Contribution to employee benefit plans

The authorities used during the first quarter of 2015–16, which are monthly installments of the *Main Estimates* EBP amount, have increased by $0.1 million (to $1.1 million), or 8.0%, due to an increase in the 2015–16 *Main Estimates* personnel expenditure authority under Vote 1 – Program expenditures.

Expenditures pursuant to subsection 21(3) of the NSCA

The authorities used during the first quarter of 2015–16 have increased by $0.6 million (to $18.5 million), or 3.1%, mainly due to increased expenditures on special projects and regulatory activity plans.

Budgetary Expenditures by Standard Object (see appendix)

Planned expenditures

The total planned expenditures for the year have increased by $6.8 million (to $132.9 million), or 5.4%, compared to the previous year. The increase in planned expenditures for the year is due to the:

- $3.6 million increase in personnel costs due to salary increases, and costs for the New Graduate Program
- $2.0 million increase in professional and special services due to an increased use of temporary help services as well as an increased use of information, telecommunications and management consultants for information management and information technology projects

- $0.7 million increase in rentals, due to a temporary increase in office space resulting from the Downtown Consolidation Project to relocate CNSC employees to its headquarters in Ottawa's downtown core
- $0.5 million net increase in other expenditure categories

Expended during the quarter

The total actual budgetary expenditures in the first quarter decreased by $2.2 million (to $27.2 million), or 7.5%, when compared to the previous year. The decrease in actual expenditures for the year is due to the:

- $3.1 million decrease in other subsidies and payments, due to a one-time transition payment for implementing salary payment in arrears by the Government of Canada in Q1 of 2014–15
- $0.4 million decrease in rentals, due to timing of payments for building rentals
- $0.5 million increase in personnel costs due to salary increases, costs for the New Graduate Program, and an increase in EBP costs
- $0.3 million increase in transportation and communications due to an increase in relocation costs and domestic travel
- $0.3 million increase in professional and special services due to an increased use of temporary help services as well as an increased use of information, telecommunications and management consultants for information management and information technology projects
- $0.2 million increase in other expenditure categories

3. Risks and Uncertainties

Most of the CNSC's expenditures are funded through revenue from fees received from the industry. While the authority to spend revenues provides a sustainable and timely funding regime to address the changes in the regulatory oversight workload, it also poses a financial risk, due to changing industry patterns and global economies. The CNSC works to mitigate such a financial risk by increasing its use of term employees, a practice that increases workforce flexibility.

The CNSC continues to make adjustments to its plans to adequately respond to the evolution of the industry. These events include:

- delays in proceeding with new uranium mine projects
- the Ontario government's announcement on October 10, 2013 that it will defer investing, for the foreseeable future, in new nuclear generating reactors at Ontario Power Generation's (OPG) Darlington Nuclear Generating Station
- the licensing process for OPG's proposed Deep Geologic Repository for low-to-intermediate-level radioactive waste, which is dependent on the environmental assessment currently underway via a joint review panel and on a decision by the Minister of Environment

In response to changing industry activities, the CNSC engaged in extensive strategic planning and enterprise risk framework development in 2014–15 to ensure it could operate effectively while providing regulatory oversight of Canada's nuclear industry.

4. Significant Changes in Relation to Operations, Personnel and Programs

Following the implementation of the New Graduate Program, the CNSC hired 25 new term employees in the first quarter of 2015–16 – approximately half of the resources to be recruited through this program. All new term employees will undergo a two-year development program. The New Graduate Program's goal is to hire university graduates for two-year terms. This is part of the CNSC's comprehensive workforce strategy to ensure workforce sustainability by addressing the potential impact of attrition and ensuring an effective knowledge transfer.

5. Approval by Senior Officials

Approved by:

Original signed by

Michael Binder
President

Original signed by Daniel Schnob for

Stéphane Cyr
Chief Financial Officer

Ottawa, Canada
Date: August 24, 2015

Appendix

Statement of Authorities (*unaudited*)

(in thousands of dollars)	Fiscal year 2015–16			Fiscal year 2014–15		
	Total available for use for the year ending March 31, 2016 *	Used during the quarter ended June 30, 2015	Year to date used at quarter-end	Total available for use for the year ended March 31, 2015 *	Used during the quarter ended June 30, 2014	Year to date used at quarter-end
Vote 1 – Program expenditures	38,921	7,605	7,605	36,578	10,451	10,451
Budgetary statutory authorities						
Contribution to employee benefit plans	4,502	1,125	1,125	4,167	1,042	1,042
Spending of proceeds from the disposal of surplus Crown assets**	30	-	-	20	-	-
Expenditures pursuant to paragraph 21(3) of the *Nuclear Safety and Control Act*	89,452	18,454	18,454	85,376	17,901	17,901
Total budgetary authorities	**132,905**	**27,184**	**27,184**	**126,141**	**29,394**	**29,394**
Non-budgetary authorities	-	-	-	-	-	-
Total authorities	**132,905**	**27,184**	**27,184**	**126,141**	**29,394**	**29,394**

* Includes only authorities available for use and granted by Parliament at quarter-end.
** Total available for use for the year ended March 31, 2015 has been updated to reflect an amount of $20K for the spending of proceeds from the disposal of surplus Crown assets.

Departmental Budgetary Expenditures by Standard Object (*unaudited*)

(in thousands of dollars)	Fiscal year 2015–16			Fiscal year 2014–15		
	Planned expenditures for the year ending March 31, 2016 *	Expended during the quarter ended June 30, 2015	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2015 *	Expended during the quarter ended June 30, 2014	Year to date used at quarter-end
Expenditures:						
Personnel	93,071	22,178	22,178	89,507	21,647	21,647
Transportation and communications	4,802	1,348	1,348	4,515	1,053	1,053
Information	1,358	211	211	1,191	211	211
Professional and special services	19,808	2,497	2,497	17,817	2,171	2,171
Rentals	5,173	424	424	4,475	839	839
Repair and maintenance	1,967	44	44	1,900	49	49
Utilities, materials and supplies	802	151	151	982	91	91
Acquisition of machinery and equipment**	4,154	147	147	3,738	141	141
Transfer payments	1,740	162	162	2,000	83	83
Other subsidies and payments	30	22	22	16	3,109	3,109
Total gross budgetary expenditures	**132,905**	**27,184**	**27,184**	**126,141**	**29,394**	**29,394**
Total net budgetary expenditures	**132,905**	**27,184**	**27,184**	**126,141**	**29,394**	**29,394**

* Includes only authorities available for use and granted by Parliament at quarter-end.
** Planned expenditures for the year ending March 31, 2015 have been updated to reflect an amount of $20K for the spending of proceeds from the disposal of surplus Crown assets.